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Message Text

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PAGE 01 OECD P 06364 01 OF 02 022119Z

71
ACTION EUR-12

INFO OCT-01 EA-07 IO-11 ISO-00 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

FEA-01 /111 W
---------- 093710
R 022100Z MAR 76
FM USMISSION OECD PARIS
TO SECSTATE WASH DC 0903
INFO AMEMBASSY ANKARA
AMEMBASSY ATHENS
AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY CANBERRA
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY HELSINKI
AMEMBASSY LISBON
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AMEMBASSY LUXEMBOURG
AMEMBASSY MADRID
AMEMBASSY OSLO
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY REYKJAVIK
AMEMBASSY ROME
AMEMBASSY STOCKHOLM
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PAGE 02 OECD P 06364 01 OF 02 022119Z

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E.O. 11652: N/A
TAGS: ETRD, OECD, NZ
SUBJECT: TCWP FEB. 26: REVIEW OF NEW ZEALAND IMPORT
DEPOSIT SCHEME

REF: STATE 045704

1. SUMMARY: TRADE COMMITTEE WORKING PARTY'S REVIEW OF NEW ZEALAND IMPORT DEPOSIT SCHEME (IDS) REVEALED GENERAL UNDERSTANDING FOR DIFFICULT NZ BOP SITUATION, BUT ALSO CONCERN ABOUT WHETHER MEASURE REALLY JUSTIFIED AND OVER UNEVEN EFFECTS OF SCHEME ON SUPPLIER COUNTRIES. US, JAPAN, AND SWITZERLAND TOOK ISSUE WITH NEW ZEALAND VIEW OF RELATION OF ACTION TO TRADE PLEDGE. TCWP WILL REVIEW WRITTEN REPORT OF EXAMINATION MARCH 8. END SUMMARY

2. NEW ZEALAND DEL'S OPENING STATEMENT HIGHLIGHTED DIFFICULT BOP SITUATION, WITH DEFICIT ESTIMATED AT $NZ 1 BILLION OR 11 PERCENT OF GNP IN 1975, RESULTING FROM LARGE INCREASES IN IMPORTS (UP $NZ 1 BILLION) OVER LAST 2 YEARS. RECENTLY THERE APPEARED TO BE SIGNIFICANT SPECULATIVE "OVERORDERING" OF IMPORTS. HE NOTED ALSO THAT NZ TERMS OF TRADE HAD DECLINED SUBSTANTIALLY AND THAT GNZ HAD AVOIDED RESORTING TO TRADE RESTRICTIONS AT GREAT COST IN TERMS OF INCREASED FOREIGN DEBT. NEW ZEALAND DEL ARGUED THAT WHEN TRADE PLEDGE WAS AGREED IN 1974, NZ REP HAD STATED CLEARLY THAT IN GNZ VIEW PLEDGE DID NOT PRECLUDE MEASURES WHICH MIGHT BE NECESSARY TO ELIMINATE DEFICITS CAUSED BY FACTORS OTHER THAN RISE IN OIL PRICES, AND ASSERTED THAT THIS HAD BEEN INCORPORATED BY REFERENCE AT 1975 OECD MINISTERIAL WHERE GNZ AGREED TO RENEW PLEDGE "ON THE SAME BASIS AS LAST YEAR". GNZ ESTIMATE WAS THAT OIL PRICES WERE RESPONSIBLE FOR ONLY $NZ 200 MILLION OF TOTAL DEFICIT, AND GNZ DID NOT CONSIDER ITS ACTION TO FALL WITHIN TERMS OF ITS PLEDGE OBLIGATIONS.
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PAGE 03 OECD P 06364 01 OF 02 022119Z

3. TRADE PLEDGE: SEVERAL DELS TOOK ISSUE WITH NEW ZEALAND DEL'S APPROACH TO THIS QUESTION. JAPANESE DEL SAID IN THEIR VIEW TRADE PLEDGE COVERED ALL FACTORS AND THAT NEW ZEALAND ACTIONS WERE CONTRARY TO PLEDGE SPIRIT. HE EXPRESSED CONCERN ABOUT THE SNOWBALL EFFECT OF THE NEW ZEALAND ACTIONS AND URGED THEY BE TERMINATED AS SOON AS POSSIBLE. SWISS DEL WAS CONCERNED ABOUT GNZ'S

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SUBJECTIVE APPROACH TO ITS OBLIGATIONS UNDER THE PLEDGE, SAYING IT WAS VERY DIFFICULT TO SEPERATE OIL AND NON-OIL EFFECTS. HE ARGUED THAT COUNCIL HAD RESPONSIBILITY TO INTERPRET PLEDGE AND THAT EVEN RELATIVELY LIMITED ACTIONS COULD HAVE SERIOUS EFFECTS. US DEL ALSO DISAGREED WITH GNZ CONTENTION THAT SCHEME DID NOT FALL WITHIN THE TERMS OF THE PLEDGE, NOTING, IN ADDITION TO FACT THAT ALL COUNTRIES UNDER SIMILAR PRESSURES, THAT NEW ZEALAND STATEMENT AT 1975 MINISTERIAL WAS RELATIVELY VAGUE CONSIDERING EXTENSIVE DISCUSSION OF THIS ISSUE WHICH HAD TAKEN PLACE IN CONTEXT OF PLEDGE RENEWAL AND EXPLICIT STATEMENTS MADE BY CERTAIN OTHER DELEGATIONS AT THAT TIME. US ALSO SUPPORTED SWISS VIEW THAT DISTINCTION BETWEEN OIL AND NON-OIL DEFICITS WAS DIFFICULT TO MAKE OPERATIONAL. EC DEL, NOT BRIEFED ON THIS QUESTION, REMAINED SILENT, AND NO OTHERS ADDRESSED ISSUE.

4. BALANCE OF PAYMENTS: WHILE GROUP GENERALLY RECOGNIZED THAT NZ HAD SERIOUS BALANCE OF PAYMENTS PROBLEM, SEVERAL DELS QUESTIONED WHETHER INCREASED IMPORT VOLUMES WERE REALLY THE CAUSE AND WHETHER MOST RECENT

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PAGE 01 OECD P 06364 02 OF 02 022117Z

71
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PAGE 02 OECD P 06364 02 OF 02 022117Z

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LIMITED OFFICIAL USE SECTION 02 OF 02 OECD PARIS 06364

INCREASES WERE OF GREATER MAGNITUDE THAN THOSE IN
EARLIER PERIODS. UK NOTED, FOR EXAMPLE, THAT MOST OF
VALUE INCREASE APPEARED TO BE ACCOUNTED FOR BY RECENT
DEVALUATIONS. EC SAID ITS STATISTICS DID NOT SUPPORT
GNZ CASE, AND NOTED THAT "OVERORDERING" NOW WOULD HAVE
TO EVENTUALLY BE REFLECTED IN "UNDERORDERING" LATER ON.
IN RESPONSE TO NZ DEL'S REMARK THAT OTHER COUNTRIES HAD
BENEFITED FROM LARGE NZ IMPORTS IN LAST 2 YEARS, US
DEL NOTED THAT APPROPRIATE INTERNAL POLICIES TAKEN
EARLIER MIGHT HAVE AVOIDED NEED FOR IDS, AND THAT THIS
MIGHT HAVE BEEN PREFERABLE COURSE OF EVENTS. SECRETAR-
IAT COMMENTED THAT NZ EXPANSION OF DOMESTIC DEMAND IN
1973/74 WAS CLEARLY UNSUSTAINABLE AND CURRENT SITUATION
WAS LARGELY RESULT OF HIGH PRIORITY GIVEN BY GNZ TO
MAXIMUM EMPLOYMENT. WITH REGARD TO FUTURE OUTLOOK, NZ
DEL AGREED WITH SECRETARIAT THAT WORST APPEARED TO BE
OVER, BUT EMPHASIZED THAT PROGRESS WOULD BE SLOW AND
GNZ WOULD HAVE TO MANAGE ECONOMY CAREFULLY TO AVOID HAV-

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ING INCREASED FARM INCOMES STEMMING FROM BRIGHTER OUT-
LOOK FOR EXPORTS SPILL OVER INTO IMPORT DEMAND.
5. WITH RESPECT TO THE MEASURES TAKEN, MOST DELS
EXPRESSED INTEREST IN CRITERIA USED TO SELECT PRODUCTS
UNDER SCHEME. EC AND SWITZERLAND IN PARTICULAR COM-
PLAINED OF UNEVEN DISTRIBUTION OF EFFECTS, POINTING TO
LARGE SHARE OF THEIR EXPORTS AFFECTED RELATIVE TO THEIR
SHARE IN NEW ZEALAND TRADE. NEW ZEALAND DEL RESPONDED
THAT THERE HAD BEEN NO INTENTION TO DISCRIMINATE AMONG
SUPPLIERS, AND THAT ONLY THOSE PRODUCTS HAD BEEN
INCLUDED ON LIST WHICH HAD SHOWN RAPID INCREASES IN
IMPORTS AND SIGNS OF OVERORDERING FOR FUTURE. ALTHOUGH
NZ DEL PROVIDED NUMBER OF STATISTICS ILLUSTRATING GROWTH
IN IMPORTS OF PARTICULAR ITEMS, HE WAS NOT ABLE TO GIVE
MUCH EXPLANATION OF THE EVIDENCE OF "OVERORDERING".

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PAGE 03 OECD P 06364 02 OF 02 022117Z

6. SECRETARIAT WILL DO DRAFT REPORT TO TRADE COMMITTEE
WHICH TCWP WILL REVIEW MARCH 8, IN ADDITION TO HAVING
DISCUSSION OF UK, SWEDISH, AND AUSTRALIAN ACTIONS. AT
FEB. 26 MEETING US DEL INDICATED, PER REFTEL, KINDS OF
THINGS US WOULD LIKE TO SEE TAKEN UP CONCERNING THESE
MEASURES. EC SAID THEY WOULD ALSO HAVE SOME QUESTIONS
TO PUT TO SWEDES AND AGREED WITH US THAT STATUS REPORT
ON AUSTRALIAN ACTIONS WOULD BE USEFUL.
TURNER

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